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United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the quarter ended
June 30, 1992

UTILX CORPORATION

Commission File Number 0-16821

Delaware	91-1171716
(State of Incorporation)	(I.R.S. Identification Number)
22404 - 66th Avenue South Kent, Washington 98032-4801	(206) 395-0200
(Address of Principal Executive Offices)	(Telephone Number)

Securities registered pursuant to Section 12(b) or (g) of the Act:

Common Stock, .01 par value	National Association of Securities Dealers (NASDAQ)
(Class of Security)	(Exchange on Which Registered)

The registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and has been subject to such filing requirements for the past 90 days.

As of June 30, 1992, 6,794,711 shares of Common Stock were outstanding.

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The total number of pages in this Form 10-Q is 12.

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Part I - Financial Information
Item 1. Financial Statements

UTILX CORPORATION
CONSOLIDATED BALANCE SHEET

	(IN THOUSANDS) JUNE 30, 1992 (Unaudited)	MARCH 31, 1992
A S S E T S		
Current assets:		
Cash	$ 1,377	$ 2,800
Short-term investments	10,919	10,298
Accounts receivable, trade	9,667	8,765
Materials, supplies and inventories	3,714	3,571
Income taxes receivable	282	282
Current portion of deferred income taxes	594	594
Prepaid expenses and other	915	413
Total current assets	27,468	26,723
Equipment and improvements, net	11,147	10,604
Other assets	2,323	2,399
Total assets	$40,938	$39,726
L I A B I L I T I E S A N D S T O C K H O L D E R S' E Q U I T Y		
Current liabilities:		
Accounts payable	$ 2,908	$ 1,879
Accrued liabilities	3,465	3,314
Capital lease obligations	1,371	1,371
Income taxes payable	371	442
Total current liabilities	8,115	7,006
Long-term liabilities:		
Capital lease obligations	757	1,163
Deferred income taxes	486	486
Total long-term liabilities	1,243	1,649
Stockholders' equity:		
Series B convertible preferred stock	1,107	1,107
Series C convertible preferred stock	470	470
Common Stock, $0.01 par value (authorized 25,000,000 shares)	68	69
Additional paid-in capital	14,575	15,076
Retained earnings	15,191	14,608
Cumulative foreign currency translation adjustment	169	(259)
Total stockholders' equity	31,580	31,071
Total liabilities and stockholders' equity	$40,938	$39,726
Common Stock issued and outstanding	6,794,711	6,874,281

(See Notes to Consolidated Financial Statements)

UTILX CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED
JUNE 30, 1992 AND 1991
(Unaudited)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	1992	1991
Revenues	$12,680	$12,065
Cost of revenues	8,700	7,266
Gross profit	3,980	4,799
Operating expenses:		
Selling, general and administrative	1,695	1,669
Research and engineering	618	653
Royalties	766	640
Total operating expenses	3,079	2,962
Operating income	901	1,837
Other income (expense):		
Interest income	105	166
Other	(118)	27
Total	(13)	193
Income before income taxes	888	2,030
Income tax provision	304	739
Net income	$ 584	$ 1,291
Earnings per share (Note 2):		
Primary	$ .08	$ .17
Fully diluted	$ .08	$ .17
Weighted average number of shares (Note 2):		
Primary	7,375	7,610
Fully diluted	7,375	7,610

(See Notes to Consolidated Financial Statements)

UTILX CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED
JUNE 30, 1992 AND 1991
(Unaudited)

(IN THOUSANDS)	1992	1991
OPERATING ACTIVITIES:		
Net income	$ 584	$ 1,291
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,153	1,166
Changes in:		
Accounts receivable, trade	(792)	529
Materials, supplies and inventories	(87)	(88)
Prepaid expenses and other	(479)	(686)
Income taxes payable	(71)	222
Accounts payable	1,012	426
Accrued liabilities and other	154	(899)
Total adjustments	890	670
Net cash provided by operating activities	1,474	1,961
INVESTING ACTIVITIES:		
Cost of additions to equipment	(1,482)	(2,417)
Purchases of short-term investments	(10,530)	(20,419)
Sales of short-term investments	9,944	20,872
Net cash used in investing activities	(2,068)	(1,964)
FINANCING ACTIVITIES:		
Payments on long-term borrowings	(406)	(422)
Issuance of common stock	32	286
Repurchase of common stock	(534)	
Net cash used in financing activities	(908)	(136)
CUMULATIVE TRANSLATION ADJUSTMENT OF FOREIGN CURRENCY TRANSACTIONS	79	(116)
Net decrease in cash	(1,423)	(255)
CASH:		
Beginning of period	2,800	342
End of period	$ 1,377	$ 87

(See Notes to Consolidated Financial Statements)

UTILX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. FINANCIAL STATEMENT PRESENTATION

In the opinion of management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position and operating results for the three-month period ended June 30, 1992 and 1991. The statements should be read in conjunction with the March 31, 1992 audited consolidated financial statements included in the fiscal 1992 Annual Report on Form 10-K.

The Company classifies demand deposits, passbook savings accounts and over-night balances as cash. Other investments such as certificates of deposit, government/agency bonds, bankers' acceptances and commercial paper are classified as short-term investments.

2. EARNINGS PER SHARE

Earnings per share is computed by dividing net income by the weighted average number of shares of Common Stock of UTILX Corporation, $0.01 par value per share, ("Common Stock") and common stock equivalents outstanding during the period. Common stock equivalents include shares issuable upon conversion of the Company's convertible preferred stock and exercise of the Company's stock options and warrants.

3. SUPPLEMENTARY STATEMENT OF CASH FLOWS INFORMATION

Supplementary cash flow information for the three months ended June 30, 1992 and 1991 follows:

	(In thousands)	
	1992	1991
Cash paid for:		
Interest on capital leases (included in cost of revenues)	$ 50	$ 80
Income taxes	$ 374	$ 516

4. OTHER

Contingencies

As of June 30, 1992, the Company's consolidated financial statements reflect a net receivable of approximately $700,000 from FlowTex Technologie Import von Kabelverlegemaschinen GmbH ("FlowTex"), the Company's

former licensee in Germany. In January 1992, the Company obtained an arbitration award directing that FlowTex pay the Company a total net award of approximately $2,600,000 and return 21 previously purchased FlowMole drilling systems. The Company is currently pursuing enforcement of the award in Germany. The Company cannot be certain that it will prevail in being able to enforce the award without significant additional costs and delays. Therefore, award amounts in excess of the net receivable have not been recorded. The Company believes that the outcome of the collection efforts will not have a material adverse impact on its results of operations or financial condition.

Reclassifications

Certain amounts in the fiscal 1992 financial statements have been reclassified to conform to the fiscal 1993 presentation with no impact on previously reported net income.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS FOR FIRST QUARTER OF FISCAL YEAR 1993 COMPARED TO FIRST QUARTER OF FISCAL YEAR 1992

Revenues

Consolidated revenues increased by 5% in the first quarter of fiscal 1993 compared to the same period in fiscal 1992.

United States and Canada Operations

For the first quarter of fiscal 1993, 74% of the Company's consolidated revenues were generated by FlowMole drilling system operations in the United States and Canada, compared to 93% for the same period in fiscal 1992. Revenues from FlowMole operations in the United States and Canada decreased by 16% in the first quarter of fiscal 1993 compared to the same period in fiscal 1992. Revenues from CableCure operations in the first quarter of fiscal 1993 were a significant portion of the Company's consolidated revenues. FlowMole and CableCure revenues are derived primarily from contracts with utility companies which provide for a specified price per foot of cable installed, plus certain additional charges.

A principal determinant of the Company's revenues in the United States and Canada is the number of FlowMole drilling systems in operation. The average number of FlowMole drilling systems in operation in the United States and Canada during the first

quarter of fiscal 1993 was 42 compared to 45 in the same period of fiscal 1992. The number of FlowMole drilling systems in operation is the weighted average for the quarter, based on the number of days FlowMole drilling systems were in operation.

Weather and other seasonal factors, soil conditions and price competition can decrease average revenues per FlowMole drilling system in any given period and have done so in the past. The Company's revenues can also be adversely affected by economic conditions and the budgeting processes of its utility customers. Revenues per FlowMole drilling system in operation decreased 11% in the first quarter of fiscal 1993 compared to the same period in fiscal 1992 while the average revenue per foot for all work performed increased 2% in the first quarter of fiscal 1993 compared to the same period in fiscal 1992. The slight increase in average revenue per foot is a result of a change in the proportions of various types of drilling work and is not reflective of an increase in prices. The Company believes that prices, after adjusting for factors such as increased difficulty and diameter of work performed, have declined compared to the same period in fiscal 1992. The decreases in FlowMole sales volume and revenues per FlowMole drilling system are the result of current economic conditions, particularly in the eastern United States, a decrease in pricing caused by continued price competition associated with increased open competitive bidding and an increase in the number of competitors, and a decrease in telecommunications work.

Europe and Asia

The Company's European and Asian revenues are generated from royalty and lease payments, sales of FlowMole drilling systems, sales of spare parts, and direct service operations. Revenues from European and Asian operations more than doubled during the first quarter of fiscal 1993 compared to the same period in fiscal 1992 with the increase primarily attributable to the sale in Europe of two FlowMole drilling systems and related spare parts. In Europe, 13 systems were leased, licensed or in direct operation at the end of the first quarter of fiscal 1993 compared to 36 at the end of the same period in fiscal 1992. The decrease is primarily a result of the cancellation of the FlowTex agreement due to a legal dispute. See "Contingencies" under Note 4 of Notes to Consolidated Financial Statements included in Part I, Item I. Nippon FlowMole, Inc., a Japanese joint venture one-half owned by the Company, began its first full quarter of commercial operations in the first quarter of fiscal 1993.

Gross Profit

United States and Canada Operations

Gross profit from FlowMole operations, as a percentage of revenues, decreased to 31% for the first quarter of fiscal 1993

compared to 42% for the same period in fiscal 1992. The decrease was primarily due to decreases in volume, productivity and pricing. Also contributing to the decrease were unusually high insurance and casualty loss expenses. The Company has continued its cost reduction program from the third and fourth quarters of fiscal 1992 in an effort to offset the effect of price declines. In addition, results from CableCure operations were a material factor in the Company's gross profits in the first quarter of fiscal 1993.

Europe and Asia

Gross profit, as a percentage of revenues, for the Company's European and Asian operations increased significantly in the first quarter of fiscal 1993 compared to the same period in fiscal 1992 primarily as a result of higher margins on sales of FlowMole drilling equipment.

Operating Expenses

Selling, general and administrative expenses decreased to 13% of revenues in the first quarter of fiscal 1993 compared to 14% for the same period of fiscal 1992.

Research and engineering expenses remained at 5% of revenues for the first quarter of fiscal 1993 compared to the same period in fiscal 1992.

Other Income and Expense

Interest income for the first quarter of fiscal 1993 was $105,000 compared to $166,000 for the same period in fiscal 1992 primarily reflecting a decline in interest rates.

A net foreign currency transaction loss of $134,000 for the first quarter of fiscal 1993 is included in other income and expense reflecting fluctuations in the value of the United States dollar relative to the British Pound Sterling and other European currencies.

Taxes

The Company's estimated effective combined Federal, State and foreign income tax rate was 34% for the first quarter of fiscal 1993 compared to 36% for the same period of fiscal 1992 and 38% for fiscal 1992. European profits are not currently taxed due to the availability of a net operating loss for both financial statement and tax purposes for FlowMole Limited, the Company's wholly-owned subsidiary in the United Kingdom.

Net Income

As a result of the foregoing factors, consolidated net income decreased to $584,000 in the first quarter of fiscal 1993 compared to $1,291,000 for the same period in fiscal 1992.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1992, the Company had unused sources of liquidity consisting of approximately $12,300,000 in cash, cash equivalents and short-term investments and $10,000,000 in unused and uncommitted bank lines compared with $13,100,000 in cash, cash equivalents and short-term investments and $10,000,000 in unused and uncommitted bank lines at March 31, 1992. The Company also expects to make additional capital expenditures of approximately $4,000,000 during the remainder of fiscal 1993. In addition, the Board of Directors has authorized the Company to repurchase up to 500,000 shares of the Company's Common Stock. See discussion under "Stock Repurchase Program" included in Part II, Item 5. The Company believes that the sources described above will be sufficient to meet its cash requirements through the remainder of fiscal 1993.

Part II - Other Information

Item 1. Legal Proceedings

See discussion of a legal dispute and arbitration with the Company's former German licensee contained in "Contingencies" under Note 4 of Notes to Consolidated Financial Statements included in Part I, Item 1.

Item 4. Submission of Matters to a Vote of Security Holders

On July 22, 1992, the Company held its 1992 Annual Meeting of Stockholders at which the stockholders elected Frank W. Griffith, John C. Martin and John R. Potter to the Company's Board of Directors for three year terms expiring in 1995. The stockholders also ratified and approved the appointment of the accounting firm of Coopers & Lybrand as the Company's auditors for fiscal year 1993.

Item 5. Other Information

FlowMole Partners Royalty Dispute

The Company is currently involved in a dispute with FlowMole Partners, a Research and Development Limited Partnership, a Washington Limited Partnership ("FlowMole Partners") to whom it pays a 6% royalty on revenues earned by the Company from the sale of services or equipment utilizing certain technology originally developed under a contract between the Company and FlowMole Partners. The Company has taken the position that revenues earned from the Company's newly developed Vector I drilling system are not subject to the 6% royalty. FlowMole Partners has demanded that the Company pay a 6% royalty on revenues earned by the Company from the use of the Vector I drilling system and has threatened to initiate legal action. To date, the amounts of such revenues are not material. The

Company is currently engaged in negotiations with FlowMole Partners regarding this matter, but is unable to predict the outcome or likely impact on the Company's future results of operations or financial condition.

Decrease in Board Membership

At its regular meeting held on July 22, 1992, the Board of Directors, in accordance with the Company's By-laws, decreased the number of directors from seven to six by the elimination of a vacant position created by a resignation during fiscal year 1992.

Stock Repurchase Program

In April 1992, the Board of Directors authorized a stock repurchase program for the repurchase from time to time in the open market, subject to certain conditions and limitations, of up to 500,000 shares of the Company's Common Stock. As of June 30, 1992, the Company had expended approximately $534,000 to repurchase 87,400 shares.

UTILX CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UTILX CORPORATION
(Registrant)

Date: August 12, 1992 By: /s/ John R. Potter
John R. Potter, President and Chief Executive Officer

Date: August 12, 1992 /s/ Charles A. Reilly
Charles A. Reilly, Senior Vice President/Corporate Operations, Treasurer and Chief Financial Officer

Date: August 12, 1992 /s/ David L. Lewis
David L. Lewis, Controller and Chief Accounting Officer